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C O N F I D E N T I A L SECTION 01 OF 02 KUWAIT 004609

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TAGS: [PGOV](#) [PREL](#) [EFIN](#) [BEXP](#) [ETRD](#) [IZ](#) [KU](#)

SUBJECT: FINANCE MINISTRY TALKS TAXES, AID, AND DIALOGUE
WITH IRAN

REF: A. STATE 192459

[1](#)B. KUWAIT 4584

Classified By: Economic Counselor Tim Lenderking for reasons 1.4 (b) & (d).

[1](#)1. (C) Summary. On December 9, Econcouns met with acting Assistant Undersecretary of Finance Khalid Al-Rubeian to discuss Kuwait's new draft tax law, the December 7 designations by the United States of three Kuwaitis for support to Al-Qaida, and assistance to the Palestinians. Al-Rubeian said the tax law is still with the Council of Ministers and has not yet been submitted to Parliament, and welcomed USG comments on the draft. He said two of the three Kuwaitis designated for terrorist activity were "well-known radicals." Al-Rubeian said all GOK assistance to the Palestinians is channeled through the Islamic Development Bank, which is responsible for monitoring usage of the funds, and controls were tight to ensure funds were used for the purposes stated. Remarking on the just-released Iraq Study Group report, Al-Rubeian said U.S. dialogue with Iran and Syria would help calm tensions in the region. End Summary.

Help on Taxes

[1](#)2. (SBU) On December 9, Econcouns and Econoff (notetaker) met with acting Assistant Undersecretary of Finance Khalid Al-Rubeian. Ishaq Abdulkarim, Director of the Ministry of Finance's International Economic Cooperation Department, also attended the meeting. Al-Rubeian was appointed to his position on December 3 following the resignation of Mustafa Al-Shammali, but was unsure if he would remain in the position permanently. He expected a decision to be made in the near future.

[1](#)3. (SBU) Reading from a November 30 internal Finance Ministry memo, Al-Rubeian said the new draft tax law is currently with the Council of Ministers and has not yet been presented to Parliament. Al-Rubeian said USG comments on the draft would be welcome. Econ/C noted the importance of the tax issue to the American business community in Kuwait and stressed USG hoped that the law follow OECD norms for taxing foreign companies. Post will coordinate with Washington agencies for comment on the draft law.

Terror Designations

[1](#)4. (SBU) Econcouns noted the December 7 decision by the USG to designate five individuals (Ref A), three of whom are Kuwaiti, for their support of Al Qaida. The designations

received some local media coverage on December 9, and both Al-Rubeian and Abdulkarim were aware of the action. Abdulkarim commented that Hamid Al-Ali and Jaber Al-Jalamah were "well-known radicals," but neither man knew of Mubarak Mushakhas Sanad Al-Bathali. They offered no further comment.

Aid to the Palestinians

15. (SBU) Econcouns expressed USG appreciation for continued GOK financial assistance to Iraq, Lebanon, Yemen, and the Palestinians (Note: On October 31, the GOK announced additional \$30 million in assistance to the Palestinians, coupled with \$50 million announced last August. End Note). Econcouns asked specifically how the GOK ensured that funds destined for the Palestians did not end up in the hands of Hamas. Al-Rubeian noted that the Kuwait Fund is the lead agency for Kuwait foreign assistance, and said all GOK assistance to the Palestinians is channeled through the Islamic Development Bank (IDB), which is responsible for monitoring its usage and disbursal. He said the Kuwait Fund has offices and personnel in Lebanon and other countries through which it can directly monitor Kuwaiti aid, but there are no offices or personnel in the Palestinian territories. Al-Rubeian noted Kuwait's preference to use the IDB for aid to the Palestinians. He said GOK funds are used only for audited, named projects and not disbursed in cash. Al-Rubeian said he would forward details about GOK assistance to Post.

Dialogue with Iran and Syria

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16. (C) Al-Rubeian raised the recently-released Iraq Study Group report, arguing that a dialogue between the U.S. and Syria and Iran would be a step in the right direction in reducing regional tensions. He argued in particular that by engaging Iran directly the U.S. would undermine Iran's ability to demonize the United States as an aggressor nation. He said the Iranian regime played "the Great Satan card" to promote internal cohesion in Iran and distract Iranians from focusing on their own woes. Abdulkarim concurred, relating that while visiting Iran in 2005 he was struck by the misery of most Iranians; he said Iranians are eager to get out from under the yoke of radical clerics.

Expanding France-Kuwait Ties

17. (SBU) Exiting the meeting, Al-Rubeian noted that the Finance Minister had accompanied the Amir on his recent visit to France. Al-Rubeian noted that the French were very cognizant of Kuwait's historic ties to Britain and the U.S. "and the English-speaking world" and were keen to expand ties to Kuwait. Al-Rubeian said the French had done some strong lobbying on Airbus during the visit but did not have details. In press reports, the Amir signaled Kuwait's interest in an open and fair tendering process and that the final selection of aircraft will be based on Kuwait Airway's needs assessment regarding route expansion and competitive factors. (Note: See Ref B for further discussion the Amir's visit to France. End Note.)

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